

**STUDY SESSION  
May 16, 2002**

The Board of Supervisors of Maricopa County, Arizona convened at 9:00 a.m., May 16, 2002, in the Sullivan Conference Room, Tenth Floor, 301 W. Jefferson, Phoenix, Arizona, with the following members present: Don Stapley, Chairman; Fulton Brock, Vice Chairman; Andy Kunasek, Max W. Wilson, and Mary Rose Wilcox. Also present: Fran McCarroll, Clerk of the Board; Alma Hernandez, Administrative Coordinator; David Smith, County Administrative Officer; and Paul Golab, Deputy County Attorney. Votes of the Members will be recorded as follows: (aye-no-absent-abstain).

**PRESENTATION AND ACTION: MARICOPA COUNTY FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM FY 2002-2003 THROUGH FY 2006-2007**

Item: Approve or amend the recommended Maricopa County Five-year Capital Improvement Program (FY 2002-2003 through FY 2006-2007). This recommended CIP includes funding from the:

- a. County Improvements Fund 435, which is funded from General Fund resources;
- b. Intergovernmental Capital Projects Fund 422, which is funded by grants, special revenue operating or private donations;
- c. Detention Capital Projects Fund 455, which is funded by the Jail Excise Tax; and
- d. Transportation Capital Projects Fund 234, which is supported primarily by State Shared Highway User Revenues.

The Transportation Capital Improvement Program, which is being recommended, was adopted by the Transportation Advisory Board on March 19, 2002. The projects for the remaining funds have been reviewed and recommended by the Facility Review Committee on May 9, 2002. Other departments have submitted capital projects which are not being recommended by the Facilities Review Committee. The revenues and expenditures for the first year of the five-year Capital Improvement Program will be included in the recommended FY 2002-2003 annual budget for Maricopa County, if funding allows. If funding or priorities change, the Board may need to amend the Capital Improvement Program to align with the FY 2002-2003 Tentative or Final Budgets when they are adopted. (C49020448) (ADM1820)

Sandi Wilson, Deputy County Administrator, Office of Management and Budget, presented the Maricopa County Five-year Capital Improvement Program for FY 2002-2003 through FY 2006-2007, and referenced the Maricopa County FY 2002-03 Capital Improvement Program booklet.

**Item 1d: Transportation Capital Projects Fund 234**

Ms. Wilson referred to the Transportation Capital Improvement Project section (pages 34-132) in the Capital Improvement Program booklet, noting that it was the same budget presented during the previous study sessions on capital improvement programs.

Chairman Stapley clarified that these budget recommendations are flexible and can be changed and amended as needed. Ms. Wilson concurred and added that these projects would be brought back before the Board for review on an on-going basis throughout the fiscal year.

Motion was made by Supervisor Wilcox, seconded by Supervisor Wilson, and unanimously carried (5-0) to approve the item as recommended.

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**Item 1c: Detention Capital Projects Fund 455**

Ms. Wilson invited Bob Williams, Director, Criminal Justice Facilities Development Department (CJFDD), to assist with this portion of the presentation. Referring to the Detention Capital Projects Fund 455 section (pages 26 –33) of the Maricopa County FY 2002-03 Capital Improvement Program booklet, Ms. Wilson stated that there are no major changes in the 5-year program. Funding in prior years totaled \$247million, and spending is anticipated at \$252 million in FY03 and \$26.5 million in FY04, when the detention projects would be completed.

Chairman Stapley requested a status report of the LBJ Central Services construction project contracted to Joe E. Woods. Mr. Williams reported that the situation had stabilized with a new contract completion date of August, 2002 and a proposed project completion at the end of October or beginning of November, 2002. Minimal reorganization included the removal of the superintendent, and the placement of a project executive and quality control person on site.

Supervisor Kunasek requested an update of the Maricopa County Sheriff's Office Training Academy. Mr. Williams stated that design/build teams are currently being solicited, but there are no other developments.

Motion was made by Supervisor Wilcox, seconded by Supervisor Brock, and unanimously carried (5-0) to approve the item as recommended.

**Item 1a: County Improvements Fund 435**

Ms. Wilson invited Christopher Bradley, Budget Manager, OMB and Norm Hintz, Director, Facilities Management Department, to join in the presentation. Ms. Wilson informed the Board that the Facilities Review Committee (FRC) had reviewed the general fund dollars available for CIP and other funding requests by departments. The Board was requested to review the FRC recommendations for the General Fund, consider the funds available through the State Criminal Alien Assistance Program (SCAAP), then prioritize projects and funding as they deem appropriate.

Mr. Bradley provided an overview of the two-page worksheet entitled "General Fund Capital Improvement Program Funding Update, May 2002," noting substantial changes made since the initial projections. The beginning balance in the FY 2002 Improvement Fund was \$123.4 million. Originally, the Accumulated Fund Balance and Net Operating Revenues totaled \$81.7 million. Adding the Unallocated General Fund Beginning Balance of \$32.8 million, the combined total of the Net Available CIP Funding was \$237.9 million, just under the set-aside projection of \$238 million for FY 2001-02 CIP. Now, the current projections still begin with a balance of \$123.4 million; however, the Net Operating allocation was reduced to \$29.5 million and no funds were allocated through the Accumulated Fund Balance (which previously had \$30 million) nor the Unallocated General Fund (originally slated for \$32 million). These shortfalls have arisen as a result of other needs listed as "Other General Fund Liabilities" on the worksheet. These liabilities include \$7 million to subsidize MIHS' accumulated expendable fund balance shortfalls and \$13 million to cover the Medical Center's receivables.

Supervisor Kunasek asked at what point would funds be deducted from reserves to cover deficits. Mr. Bradley answered that it could possibly be into the next fiscal year before a determination may be made, however, it is projected that \$13 million would be the worst case scenario. Ms. Wilson further expanded that receivables have increased substantially from \$33.5 million in June, 2001, to \$76.6 million in March, 2002. The account receivables may need reevaluation, however, the \$13 million amount is Deloitte's worst case scenario projection.

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Discussion ensued between Supervisor Brock and Chairman Stapley in regard to subsidizing MIHS through the General Fund. Supervisor Brock stated that he did not support shifting money from the General Fund to cover hospital losses. Ms. Wilson explained that because the General Fund is responsible for the hospital, the FRC recommended shifting \$7 million to MIHS.

Tom Manos, Chief Financial Officer, further explained that only \$7 million is anticipate to be transferred to MIHS through this plan, and the remainder of the funds would be set aside as a General Fund contingency. He also indicated that the transfer request would come before the Board as an agenda item, thereby affording the board members an opportunity to oppose it, if they so desire.

Mr. Bradley continued to explain the other General Fund liabilities that pertain to FY2002-03 and recommended for designation out of next year's beginning fund balance. These include a \$17 million increase designation for cash flow to avoid short-term borrowing, a worst case scenario figure of up to \$28 million for MIHS operating losses, and \$20 million in non-CIP appropriations (i.e., major maintenance, etc.) which would be subject to reprioritization. The combined total of set-asides and actual transfers from the fund balance is \$85 million. When this amount is deducted from the original CIP projection of \$238 million, the balance available for CIP funding is \$152.9 million.

Supervisor Wilson asked why the range for MIHS operating losses was so large, moving from \$5 million to \$28 million. Ms. Wilson responded that the estimate from MIHS was \$5 million. Deloitte's latest estimate is \$28 million, and taking into account the economic forecast and upcoming State mandates, it would be prudent to project conservatively and use the worst case scenario figure.

Chairman Stapley reminded the board members that the law requires the Board of Supervisors to maintain the hospital operational until June of 2003 and that there is no other option.

Supervisor Wilcox reported that the Hospital and Health Systems Board is reviewing plans on how to improve the hospital's financial issues. Although it is always best to consider worst case scenarios when budgeting, Supervisor Wilcox does not believe those amounts would have to be expended.

Chairman Stapley expressed his intention to call a special joint meeting between the Hospital Board and the Board of Supervisors to discuss plans for MIHS.

Mr. Bradley continued to review page two of the "General Fund Capital Improvement Program Funding Update, May 2002", and commented on the differences between the FY2001-02 CIP plan and the FRC's current proposed figures.

**~ Chairman Stapley recessed the meeting for a ten-minute break. ~**

The Study Session resumed with Ms. Wilson's review of page three of the CIP Study Session handout, and recapped projections for FY2002-03 continuing projects (i.e., Forensic Science Center, Administration Parking, and Administrative Services close out). Page four of the handout was also reviewed, which outlined projects to be funded through the State Criminal Alien Assistance Program (SCAAP).

Supervisor Wilcox suggested that funds should be reserved to improve the parking areas around the new Administrative Services building in order the present the best possible image to the public. Mr. Hintz reported that a modest amount has been retained for limited paving, and there has also been discussion about converting the parking areas into revenue producing lots.

In review of the SCAAP funding for the Buckeye Shooting Range, Supervisor Wilcox indicated that the amount of \$1.10 million should be adjusted to reflect the amount of \$1.9 million that Arizona Game & Fish had projected. In addition, \$5 million from Del Webb should also be factored in. Chairman Stapley interjected that Del Webb may contribute additional funds.

Chairman Stapley commented that, for the past two years, he has requested a plan whereby the Justice Courts could move away from leasing office space and enter into lease/buy contracts. Chairman Stapley asked what the cost estimates would be if the Justice Courts ceased from leasing space. Mr. Hintz answered that of the 23 Justice precincts, five are owned and 18 are leased, and options other than leasing space for Justice Courts include partnerships with cities.

Chairman Stapley requested that Justice Courts be added to the CIP list with zero funds appropriated until a plan is developed to lease space with a purchase option.

Supervisor Brock commented that the Town of Gilbert was interested in partnering with Maricopa County for a Justice Court. Mr. Hintz responded that Facilities Management has been working with the Town of Gilbert but the terms of the agreement are still being negotiated.

There was discussion about the sale of excess property in Avondale and Surprise, Arizona, and the possibility of negotiating a facility for county services if a portion of that land is developed in the future.

**Item 1b: Intergovernmental Capital Projects Fund 422**

Ms. Wilson reviewed page five of the CIP study session handout summarizing the Intergovernmental Capital Projects Fund 422, which is funded by grants, special revenue funding and private donations.

The Elections Department will be in need of a new facility when their current lease expires. Facilities Management proposes converting the warehouse on Lincoln Street currently occupied by Materials Management and MCSO into a facility for the Elections Department at a cost of \$3.3 million as opposed to leasing. MCSO plans to move the operations currently in that warehouse to the new MCSO Central Services Facility at Durango.

Furthermore, Facilities Management recommended the conversion of the Santa Fe Depot on Jackson Street into a warehouse rather than office space. The concrete structure is "bare bones" with essentially no utilities and would require a substantial investment if developed it into office space.

Supervisor Kunasek declared that he would support this plan for Santa Fe Depot if the conversion into a warehouse storage would be low-cost.

Supervisor Wilcox concurred, however, she predicted that there would be opposition from the Phoenix arts community. She also suggested that the building's façade should be renovated to retain its historic presence.

Returning to page five of the CIP study session handout, Ms. Wilson turned the Board's attention to the Northwest, West, and Northeast regional facilities items, noting that these project would proceed contingent upon the sale of the existing excess property.

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In reply to Chairman Stapley's question whether \$7 million was a fair estimate for the value of this property, Mr. Hintz responded that the Avondale parcel alone is appraised at \$4.6 million, and plans to rezone the southern portion should further increase the value.

Ms. Wilson pointed to another item not included in this CIP request, but in need of mentioning: the 5-year CIP for MIHS. A request for funds has not been submitted for future CIP items because they lack a funding source. Ms. Wilson asked Pat Walz, MIHS Chief Financial Officer, to elaborate.

Mr. Walz reported that MIHS still needs a new bed tower but must resolve the hospital district issue in order to secure a funding source. The Correctional Health Clinic project should be completed by June 30, and all other projects have been finalized. On-going maintenance issues will be addressed as needed. Ms. Wilson added that major maintenance issues have been considered for MIHS and approved by the FRC to be included in the operating budget.

In response to Supervisor Brock's question about housing additional personnel needed by Superior Court, Mr. Hintz stated that the Board recently allocated an expenditure of \$299,000 related to the due diligence for 101 N. 1<sup>st</sup> Avenue. A plan will be developed that includes the overall space needs for Maricopa County in the downtown Phoenix area for the next ten years, including the needs of Superior Court, Public Defender, County Attorney, etc. However, those needs are greater than the space available at the 1<sup>st</sup> Avenue location or the \$80 million earmarked amount. Mr. Hintz also stated that plans will be presented to the Board in the next 90 days on how to meet the overall space needs of the county.

Costs for tenant improvements for the Security Building were examined and a clarification was made that the \$6.3 million figure is a 5-year CIP total. In response to Supervisor Brock's concern about the maintenance costs for the garden roof, Mr. Hintz explained that maintenance is included as part of the landscape contract for the downtown county campus and a specific cost for that building alone was not readily available. Use of the garden for public gatherings is prohibited because of an inadequate fire escape. Mr. Hintz concluded that the Board would have to direct whether the garden should continue to be maintained or removed.

Supervisor Wilcox remarked that the gardens are part of Phoenix' history and suggested that possibly costs could be offset by renting the facility for public use if improvements were made to the fire escape.

Supervisor Wilson requested a briefing by Facilities Management regarding "idle" land or excess property owned by the county, and Mr. Hintz stated he would meet with Supervisor Wilson individually as he had with the other members.

Chairman Stapley questioned the amount budgeted for Public Health, and Mr. Hintz explained that the \$12.9 million includes land acquisition and the construction of a public health clinic at 16<sup>th</sup> Street and Roosevelt. The plan would also include selling the current Public Health facility and moving administrative offices into the new Administration Building. The cost could increase by \$2 million if the Environmental Service - Mobile Food Inspection section is housed within the new Public Health clinic.

Supervisor Wilson inquired whether Facilities Management had taken into consideration the environmental impacts in the sale of a public health building. Mr. Hintz conceded that environmental issues may be of concern, however, the property could be sold as is or possibly demolish the building and solely sell the land. Mr. Hintz also indicated that if funds are appropriated, the plan would move forward next fiscal year.

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Supervisor Brock requested an update on the possible purchase of the Recreational Vehicle Center on Mesa Drive. Mr. Hintz reported that the company is still in bankruptcy, and the County Attorney has recommended the strategy of acquiring the property through condemnation, then leasing it back to the current user. Ms. Wilson interjected that this plan would expend about \$8 million of the \$10 million available in reserves, and would preclude any other projects, such as Justice Courts, from being funded.

When solicited for his comment, Gordon Griller, Superior Court Administrator, observed that if other regional court centers were developed, the burden on the Southeast Court Complex would lessen, and added that the RV Center property could possibly be utilized for additional parking for the complex.

Chairman Stapley suggested that the County Attorney's idea of condemning, purchasing, then leasing the property should be strongly considered because the opportunity of purchasing the property at this price may never again present itself. Mr. Hintz agreed that this is a reasonable approach in which to seize the opportunity and further commented that although the discussion deals with short-term fiscal issues, the county must maintain a long-term vision and preserve options to expand in the future.

Chairman Stapley requested that this item be added to the list for later consideration, allowing time to determine whether revenue can be generated to meet the debt service.

Supervisor Kunasek pointed out that the FRC has studied court filings at the Southeast Court Complex and found that the majority of cases are generated from the Scottsdale area. Supervisor Kunasek, therefore, supports locating a court in Scottsdale, which would also help to relieve traffic congestion in the Southeast Valley. Mr. Griller asked the Board to recognize that the Southeast Regional Center is a unique operation equipped with holding facilities. As other regional centers are developed, they probably will not provide those services nor would they include Juvenile Detention or Juvenile Court.

Supervisor Brock commented that Maricopa County should seize opportunities to plan for the future. He also commented that he felt a serious mistake would be made to place the homeless campus in downtown Phoenix because it could drive away retail businesses from the area.

Supervisor Wilson suggested that the County might consider liquidating land holdings and using those assets to purchase needed parcels.

Ms. Wilson reviewed the recommendations made to this point, and Chairman Stapley requested that the Mesa, Arizona property be included subject to available funds.

Ms. Wilcox questioned why the price for the downtown property acquisition increased from \$45 million to \$50 million. Ms. Wilson responded the smaller amount related to office space build-out, but if courts are built, the amount would increase to \$50 million.

Supervisor Wilson suggested that FMD remain cognizant of not contributing to a vacancy glut in downtown Phoenix when terminating leases. Mr. Hintz reported that this concern has been addressed each time FMD has terminated leases, and the impact was found to be fairly minimal.

Summarizing the Southeast Valley land acquisition proposal, Ms. Wilson confirmed that the item would be placed under the Intergovernmental Capital Projects Fund 422, as the regional centers have been handled in the past, and would be subject to the approval of an adequate financial package.

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In response to Supervisor Wilson's question about which funds would be utilized to initially purchase the land, Ms. Wilson explained that debt would be incurred to purchase the property since there is not sufficient cash at this time. Chairman Stapley suggested the perhaps two acres could be developed for two justice courts, then lease the remainder of the property. Mr. Hintz reminded the Board that a business currently occupies a portion of this property and, therefore, the land is not totally contiguous to the current county ownership. A proposed solution would be to swap land and place those businesses on the highway frontage, thereby, granting Maricopa County a contiguous parcel.

Ms. Wilson wanted to give special acknowledgement to Lisa Johnson from OMB and James Foley from FMD who together compiled the information for the comprehensive 5-year CIP booklet.

To complete the presentation, Ms. Wilson reviewed the amendments to the Maricopa County Five-year Capital Improvement Program made by the Board of Supervisors:

- add \$2.5 million for one justice court (location to be determined later by the Board);
- add an additional \$400,000 to the \$1.1 million in SCAAP funds for the Buckeye Hills Shooting Range;
- include the acquisition of Southeast Regional Property subject to revenue covering the debt service and Board approval; and
- increase funds to \$50 million for the acquisition of a downtown property.

Taking account of these recommendations, the appropriated CIP reserve would be \$2.6 million.

Motion was made by Supervisor Wilcox, seconded by Supervisor Kunasek, and unanimously carried (5-0) to approve the item as amended and stated by Ms. Wilson above.

Prior to adjournment, Chairman Stapley took a few moments to express his appreciation to David Smith, County Administrative Officer, Sandi Wilson and the rest of the OMB staff and related departments for their excellent CIP presentation and recommendations that will continue to place Maricopa County in a sound financial condition.

**MEETING ADJOURNED**

There being no further business to come before the Board, the meeting was adjourned.

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Don Stapley, Chairman of the Board

ATTEST:

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Fran McCarroll, Clerk of the Board